United States
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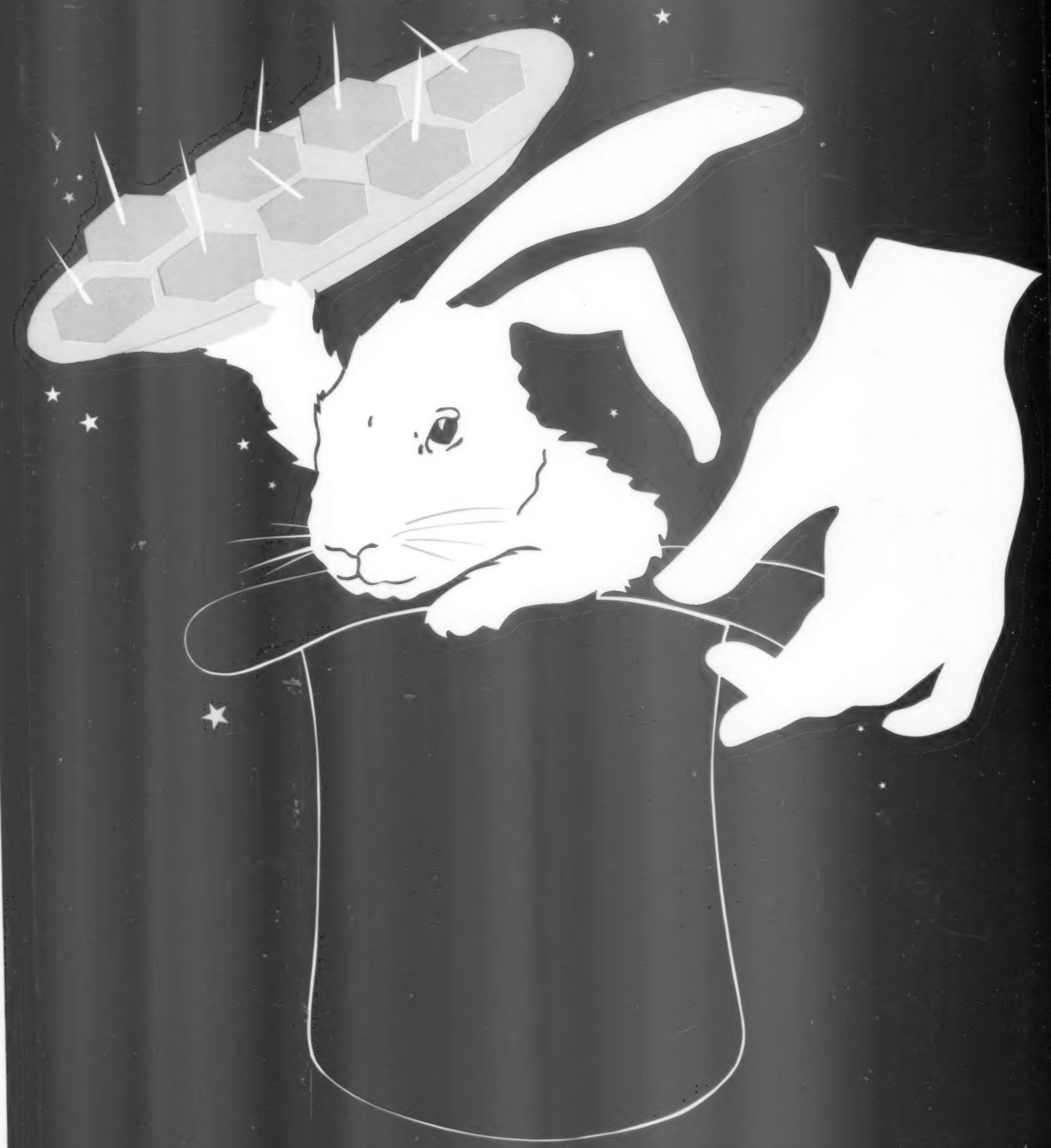
Foreign Agriculture

Free Samples—
Taste Treat or Marketing Trick?



Marketing News

Brazilian Wheat Team Visits U.S. Facilities and Farmers

A team of Brazilian wheat importers traveled to the United States recently for a two-week tour of U.S. wheat production, transportation and grain handling facilities. The visit was cosponsored by the government of Brazil and **U.S. Wheat Associates (USW).**

The team's itinerary included visits to export facilities, country elevators, grain exchanges and the U.S. Department of Agriculture, as well as a number of meetings with U.S. wheat farmers. "We want to demonstrate to our Brazilian customers that the United States has the productive, handling and shipping capacity to meet their wheat import needs, both now and in the future," USW President Winston Wilson said. "This trip allowed us to answer questions and to introduce the buyers to the farmers who supply their wheat."

Brazil currently is the world's fifth largest importer of wheat, buying an average of 4.5 million metric tons over the past five years. Traditionally, the United States has supplied for about 60 percent of these imports.

Alaska Hosts Japanese Forest Team

The **Alaska Loggers Association** and the Office of Forest Products of the **State of Alaska** recently hosted a team of 14 representatives from the Japanese forest industry and government. Members of the team included the general managers of major Japanese corporations, such as Mitsubishi, Sumitomo and Marubeni. The Japanese group visited various logging operations, several pulp and sawmills and an experimental forest during their 10-day stay in southeast Alaska.

It is hoped that the Japanese visit will bring results similar or better than an earlier buying mission from Korea. According to Frank Seymour, senior marketing specialist of Alaska's forest products office, the Korean visit has already encouraged a return visit by two prospective buyers.

Feed Grains Council Starts Mexican Beef, Poultry Projects

Recognizing that Mexico is a consistent 6-million-ton market for U.S. feed grains, the **U.S. Feed Grains Council** is initiating several beef and poultry programs there. The Council will begin a model beef feedlot program in two locations providing a demonstration facility and training opportunities for Mexico's cattlemen. The focus will be on improved management, nutrition and genetics in order to expand beef production and feed grain demand. The Council will continue to demonstrate dairy bull calf recovery programs as an inexpensive and rapid way to expand beef cattle numbers.

Working with the poultry industry, the Council will establish a sorghum poultry feeding trial. In addition, it will follow through on a program to help identify and minimize the impact of poultry ascitis syndrome, a disease that accounts for 70 percent of all bird losses in Mexican flocks.

Soybean Quality Team Visits Japan

The Japanese response to the **American Soybean Association's** soybean quality team visit and quality conference in December was very positive, according to the U.S. agricultural counselor in Tokyo. Most conference attendees felt that the event marked a new rapprochement between Japanese soybean end-users and U.S. soybean farmers after a year of difficulties. Total Japanese soybean imports in 1985/86 are estimated at 4.8 million tons, around 90 percent of which is expected to come from the United States.

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With Bulgaria turning to the world market for grains after three bad crop years in a row, prospects look good for U.S. corn sales.

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As the market for pork in Japan is growing, the U.S. share is slipping. U.S. exporters need to change their approach to this market.

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Free Samples: Taste Treat or Marketing Trick?

By Edmund M. Paige

At a recent international trade show, Bill Bradford was proud of himself. For eight hours a day, six days running, he had been dispensing little cups of his new-to-market beverage. The item was a hit. Men, women and teenage students lined up enthusiastically for a free sample.

With the dexterity of a casino blackjack dealer, Bill would spread six empty cups on the counter in front of him. Then, with the skill of a French wine sampler, he would fill each cup with an ounce of his beverage.

Within minutes, often within seconds, the cups would be snatched up. Then the operation would be repeated.

When asked how he was doing, Bill would smile broadly and point with pride to the fact that his drink was a roaring success. "Look at 'em! It's the greatest stuff since sliced bread. They love it. We've got a real winner here."

But did he have a winner? Did they really like the product and would they ask for it if they had a choice? Were they simply tolerating the taste and moving on to the next free handout? Did some of them think the drink tasted simply awful?

The sad fact is that Bill has no idea what visitors really thought about his product.

A Different Approach

Let us now switch to another situation. Time: about two years ago. Location: SaudiFood Trade Show in Saudi Arabia. The exhibitor in this case is Mitsubishi, one of the world's largest trading companies.

The product also is a beverage, and the local Saudi population (again, men, women and adolescents) enthusiastically line up for a taste.

However, here the similarity ends. In order to receive a sample, the interested party has to agree in advance to fill out a form evaluating the product. On the counter there are two stacks of questionnaires, one in English and one in Arabic. Pencils are furnished.

Once the questionnaire is in hand and space provided on the counter to write, the drink is furnished and the evaluation process begins.

The questions go something like this:

How did you like the drink?
☐ Very good ☐ Good
☐ Not so good ☐ Bad

What did you like best about it?
☐ Taste ☐ Color
☐ Sweetness ☐ Other

How can it be improved?
☐ Sweeter ☐ Less sweet
☐ More tart

What age group are you?
☐ 15-21 ☐ 22-39
☐ 40-60 ☐ Older

☐ Male ☐ Female

Hundreds of forms are filled out reflecting samples tested. And no one is more delighted than the Saudis. Not only is their curiosity piqued, but they are flattered that someone is giving them a chance to express their opinion.

Compare the two exhibitors: On one hand, it was assumed that everyone was perfectly delighted with what they tasted when, in fact, there was no real serious basis for this conclusion. On the other hand, there was bona fide sampling of opinion based on personal evaluation.

The difference here is striking and obvious. Does the Japanese system really guarantee success? Not at all. But the odds are that one of these days Mitsubishi will come out with a new beverage in Saudi Arabia that is a real hit—amid dark mutterings from the competition.

A Closer Look at Effectiveness

In examining what Mitsubishi did, some lessons can be drawn from its exhibit.

Consumer acceptance. It is vital that potential exporters know what customers really think about their product. There is no substitute for accurate information in this respect. Market research of some sort is a must.

Identification It does no good whatsoever for an exhibitor to pass out samples if the prospect doesn't come away with a positive, concrete impression of what it was that was tasted. If a person tastes an apple, for example, it should be made clear what kind of apple it is and where it was grown.

Cost of samples. The cost of samples can be significant. The products themselves usually are of small value, but the cost of transportation is expensive and the storage of samples at the show site is annoying, time-consuming and frequently costly.

Time. Trade shows are important places for testing the export waters. Time is of the essence. The exhibitor is challenged to manage time in order to accomplish the primary objectives (finding distributors, talking to important buyers, etc.). An exhibitor really cannot afford to be engaged in unproductive efforts.

Selectivity. Most exhibitors have, or should have, a particular target audience. By disengaging themselves from a "come-one, come-all" sampling process they can better direct their efforts towards accomplishing their primary mission.

Buyer enticement. The best buyers are usually very busy and recognize the crucial value of time. When they come up to a stand and find it crowded with all sorts of people looking for a free sample, they are turned off.

At that particular moment, they may be quietly weighing the elements in their mind. Shall they stop? Shall they wait? Shall they try to work their way through the crowd? Do they really need this product anyway? Have they already got one that is doing the trick? Only the most determined will hang around at this point.

Control Exhibitors are in charge of their own stands. They have paid for them. Their success or failure will depend on exhibitors. They might enjoy a run of success or endure a spell of failure.

In any event, if an exhibitor has control, he or she can adapt sampling techniques to fit the situation.

For example, if the sample policy is strict and stand attendants find they are getting bored watching people go by, they can "turn on the faucet" by putting out more samples. By controlling the sampling process, exhibitors can determine just which combination of sales techniques and free samples works best.

The European Approach

Europeans have been running trade shows for a long time. As a rule, they are reluctant to pass out samples with no restrictions. Big breweries and wineries are the principal exceptions to this.

Many Europeans install spectacular displays. But it is well understood that the casual visitor can look but not touch. Qualified buyers, on the other hand, have no difficulty obtaining samples. All they need do is ask.

U.S. exhibitors can take a cue from the competition. Handing out free samples of a product—whether it is a beverage, a snack or a morsel of high-quality steak—can increase the product's visibility and salability. But the key to using sampling effectively is to make it work for you as a marketing tool. ■

The author is Executive Director of the Eastern U.S. Agricultural and Food Export Council, Inc., New York, N.Y. Tel. (212) 432-0020.

Let Marketing Guides Help You Map Your Export Strategy

By Philip A. Letarte

Marketing guides prepared by various U.S. agricultural trade offices abroad can help you map your export strategy for many U.S. food products. These guides alert U.S. exporters about potential sales opportunities for a variety of foods.

These short, concise guides serve as overviews of individual commodity markets. The guides contain information on the general market for a given product (pecans or wine, for example), the import situation, applicable duties and a list of potential exporters.

The most recent marketing briefs available are as follows:

To order specific guides, contact:
USDA/Export Programs Division
4944 South Building
14th & Independence Aves. S.W.
Washington, D.C. 20250
(202) 447-3031

The author is with the Export Programs Division, FAS. Tel. (202) 447-3031.

Country	Market Guides
United Kingdom	Almonds Apples Asparagus Avocados Beer Carrots and turnips Cherries Chili peppers Cigars Consumer cooking oils Food processing and servicing Fresh water fish Furskins Garlic Grapes Grocery retailing Health food market Honey, beeswax and royal jelly Kiwifruit Mangoes Meats Melons Onions Peaches Peanuts Pears Pet food Pineapple juice Pistachios Plums Pulses Raisins Raspberries Rice Strawberries Sunflower seeds Sweet peppers Walnuts Wine
West Germany	Aquaculture (potential market) Chanterelle mushrooms Frozen blueberries Frozen foods Pistachios
Singapore	Changing food shopping habits Fresh fruits Fresh vegetables Poultry, meat and fish
Tunisia	Value-added products
Saudi Arabia	1984 imports (value-added products) Saudi taste in vegetables

Export Credit Boosts U.S. Sales to Ecuador

By Leonidas Bill Emerson

Over the past three years, U.S. agricultural exporters have held 100 percent of the Ecuadorean market for wheat and soybean oil, thanks to a timely infusion of U.S. export credit.

The Commodity Credit Corporation's (CCC) export credit program also has bolstered sales of non-traditional and value-added products such as livestock for breeding, seeds for planting and tallow. It has established new markets for U.S. cotton and malting barley in Ecuador, too.

As a result, U.S. farm exports to Ecuador jumped from $102 million in 1982 to $115 million in 1983, rose again to $151 million in 1984 and increased an estimated 5 percent in 1985.

U.S. credit guarantees preserved the Ecuadorean market for U.S. agricultural products during a time of critical foreign exchange shortages, and set the stage for continuing expansion as Ecuador's economy recovers and its population continues to grow.

In the long run, Ecuador's rising trade surplus and growing economy are expected to enable the country to reduce its need for CCC credit to purchase U.S. agricultural products.

However, in the short term, the credit program will continue to be an important market development tool for expanding U.S.-Ecuadorean agricultural trade.

Debt Crisis, Crop Losses Hurt Economy

The CCC GSM-102 credit program for Ecuador started in fiscal year 1983 when both a debt crisis and crop losses increased demand for credit to purchase agricultural imports.

Ecuador's market for U.S. agricultural exports decreased substantially in late 1982 as a result of the lack of foreign exchange. Foreign debt payment problems were due, in part, to falling export revenues coupled with lower commodity prices and high international interest rates.

Imports of U.S. oilseeds and products virtually came to a halt and traditional U.S. wheat sales were threatened.

During this period, Canada and Australia offered to sell wheat to Ecuador, and the Australian Wheat Board offered $15 million in credit with the possibility of additional credit for future purchases. In the meantime, Brazil and Argentina offered a barter deal for part of Ecuador's $35-million soybean oil market.

Credit Guarantees Made Available

To meet the competition, the U.S. Department of Agriculture extended $65.3 million in GSM-102 CCC credit guarantees to Ecuador.

Through the GSM-102 program, the U.S. government guarantees to pay U.S. banks dealing with Ecuador if a bank there fails to pay its debts. This program helped to confirm the opening of international letters of credit—the usual payment method for international trade.

Previously, letters of credit were not confirmed due to a lack of hard currency (cash confirmation) and a low level of banking confidence in Ecuador's ability to pay debts. Consequently, the flow of U.S. agricultural exports was drying up.

Devaluation Risk Hampers Trade

Although the CCC line of credit facilitated the opening of letters of credit and paved the way for increased U.S. exports, Ecuadorean importers still would not use the CCC credit until their government guaranteed the rate of exchange.

A U.S. dollar debt previously had caused many firms to go bankrupt after Ecuador devalued its currency. With the devaluation, the cost of the dollar doubled or tripled by the time payment came due.

Ecuador agreed to assume the CCC debt obligation and to fix the importers' exchange rate at the time of the standard commercial presentation of documents (normally one or two days after shipment from the U.S. port).

This action allowed Ecuadorean importers to assume the debt in local currency for up to six months while the government's Central Bank held the CCC guaranteed letters of credit for up to three years.

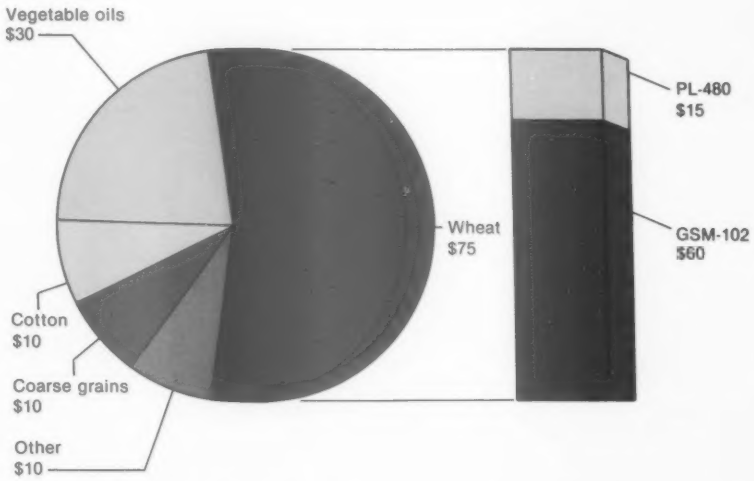
Government assumption of the devaluation risk and the ease of opening letters of credit boosted the popularity of this line of financing.

"El Nino" Increased Credit Needs

In the midst of the Latin American debt crisis, record rainfall resulting from the weather phenomenon "El Nino" (see story on page 10) disrupted three crop cycles and slashed Ecuador's food production sharply in 1982/83. Ecuador requested additional CCC credit for foreign exchange losses as its traditional agricultural exports plummeted.

CCC Credit Helped To Maintain U.S. Farm Sales to Ecuador in 1985

$ million



GSM-102 & PL-480 allocations
Total — $135

Wheat allocations
by CCC program

Faced with the prospect of lost U.S. export opportunities, an additional $18.3 million in GSM-102 credit guarantees was extended to Ecuador, bringing the total to $83.9 million by the end of fiscal year 1983.

Wheat Millers Turn to Other Countries

With limited CCC credit available at the outset of fiscal 1984, Ecuadorean wheat millers concerned about the supply situation contacted wheat exporters in Australia, Canada, the European Community and Argentina.

To counter credit offers from Australia, additional CCC credit was extended to Ecuador, bringing the fiscal 1984 total to $129 million.

As a result, Ecuador stepped up its imports of U.S. cotton and other commodities, and speeded up shipments of wheat in order to use the extra funds.

Credit Bolsters Sales in 1985

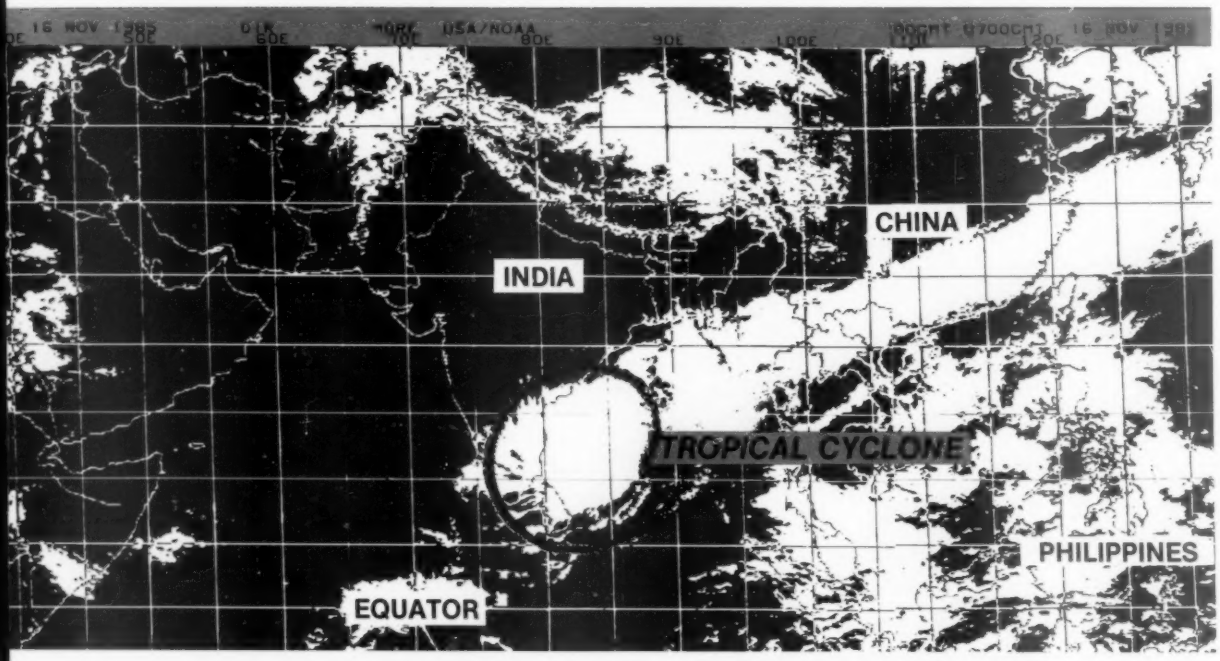
For fiscal year 1985, $119.5 million in export credit was given to Ecuador for wheat, vegetable oil, cotton, feed grains (including malting barley), oilseeds, tobacco, tallow, milk replacers and lentils.

In addition, a new P.L. 480 line of credit was established for wheat in 1985, which should retain the U.S. position as the sole supplier to Ecuador.

So far, Ecuador has met all of its CCC obligations on time and $105 million in 1986 credit guarantees were allocated in August 1985. ■

The author, formerly the U.S. agricultural attache in Ecuador, is with the Dairy, Livestock and Poultry Division, FAS. Tel. (202) 447-7867.

El Nino's Weather Affects World Farming



By Raymond Motha, Thomas Puterbaugh and Ronald Lundine

High winds pounded California during the winter months and heavy snows piled to record depths in the Rockies. The spring was cool and wet. A late-April cold outbreak spread freezing temperatures to northern Alabama, Georgia and the Carolinas, severely damaging fruits and vegetables. Heavy downpours in the Mississippi Delta, the Tennessee Valley and the lower Ohio Valley caused extensive flooding of agricultural lands and delayed the onset of the growing season. The heavy snowpack in the Rockies rapidly melted, filling reservoirs, swelling rivers and causing serious mudslides and floods. The entire country received well above-average rainfall.

During the same season, severe droughts, torrential rains and flooding took human lives and variously affected crops and livestock in Australia, Indonesia, the Philippines, portions of central and southern Africa, India, Mexico and parts of Central and South America.

Unusual weather is a routine matter, but not when it hits around the world during the same season like it did in 1982/83. Statistics show that similar earth-sweeping anomalies will happen again, further jeopardizing lives and playing havoc with the world's food supplies.

The question is when? Part of the answer will be based on meteorologists' observations and analyses of a weather phenomenon known as "El Nino."

The name "El Nino" originally was given to a warm, coastal current which runs southward along the coast of Ecuador around the Christmas season. More recently, the term has become identified with more extreme warmings which occur every few years and appear to be associated with large-scale atmospheric anomalies.

How El Nino Works

Every several years, El Nino's warm equatorial current ranges unusually far south along Peru's coast, displacing the normally cool coastal waters. The warm waters destroy plankton, leading to an enormous fish kill which devastates the local fishing industry. The reduced supply of fish causes widespread starvation of guano birds, which in turn affects the regional ecology. Accompanying spells of torrential rain inundate the normally dry lands, causing severe flooding and erosion.

The so-called"southern oscillation" of large-scale atmospheric pressure patterns provides the link between El Nino events and global weather anomalies.

Large-scale atmospheric pressure changes across the tropical Pacific and Indian Oceans are observed with the occurrence of El Nino off the west coast of South America. The "see-saw" patterns of atmospheric pressure coincide with climatic variations over far-reaching areas around the world.

El Nino occurrences have been documented as far back as the 1890s. Over the past 30 years, events of varying degrees of intensity have occurred during 1957, 1963, 1965, 1969, 1972-73, 1975, 1976, and 1982-83.

The 1972-73 and 1982-83 episodes were particularly intense for two consecutive years. The frequency of occurrence is about once every three years. Heavy winter and spring rains at Guayaquil, Ecuador, resulting from the unusual warming of the ocean waters along the eastern Pacific, usually signal the onset of an El Nino event.

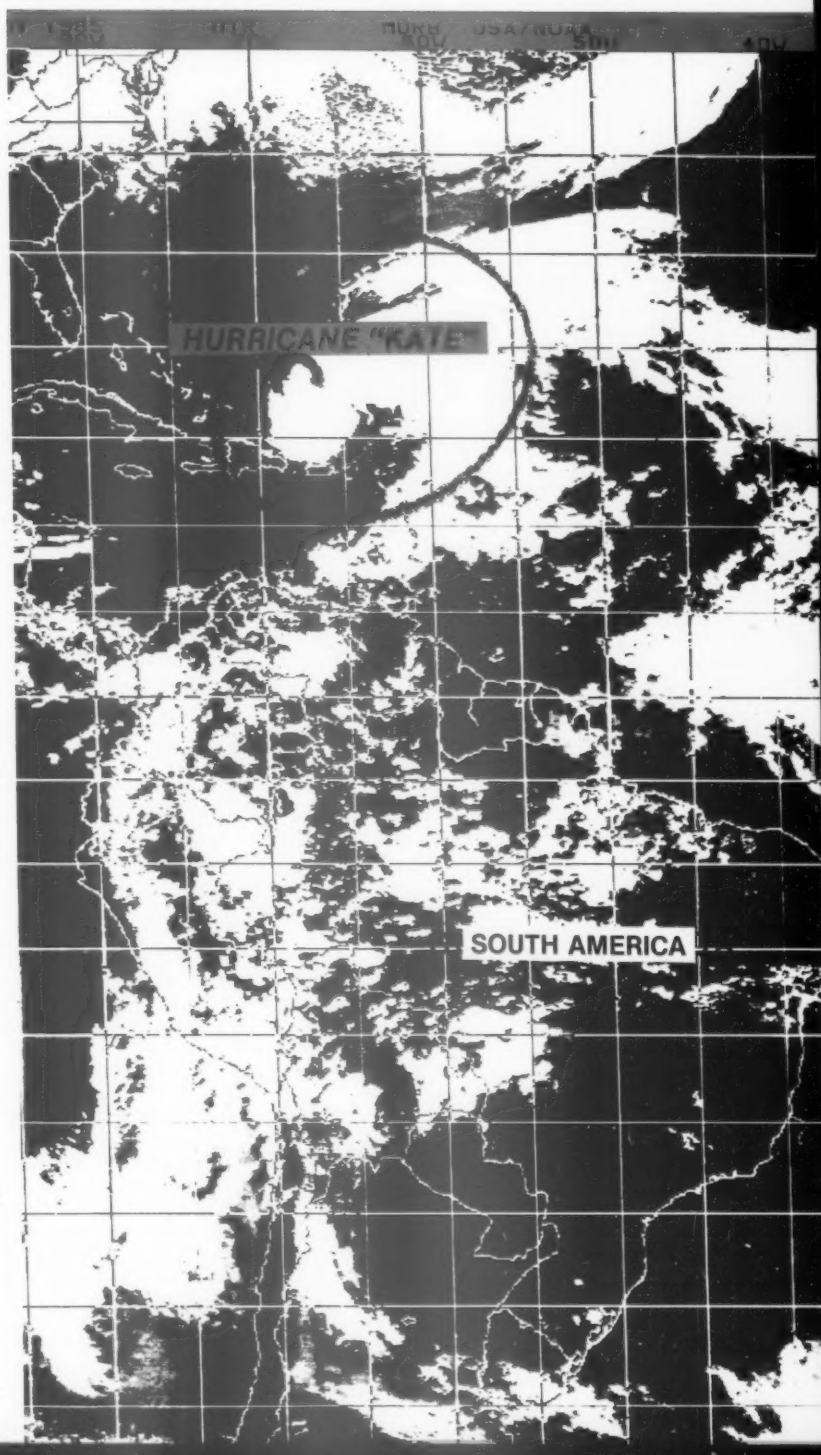
Figuring El Nino's Effect on Farming

From analysis of a number of crop yields from specific areas around the world over the last two decades, it has been determined that there is a general tendency toward increased variability in yields during El Nino years as compared with non-El Nino years (see charts).

The two crop areas presenting the most sharply contrasting pattern and perhaps the clearest cause-and-effect relationship are wheat in Australia and corn in Argentina. During El Nino events, there is a strong tendency for below-normal rainfall in Australia and above-normal rainfall in Argentina. The timing of the rainfall with respect to the stage of crop development ultimately determines the effect on crop yields.

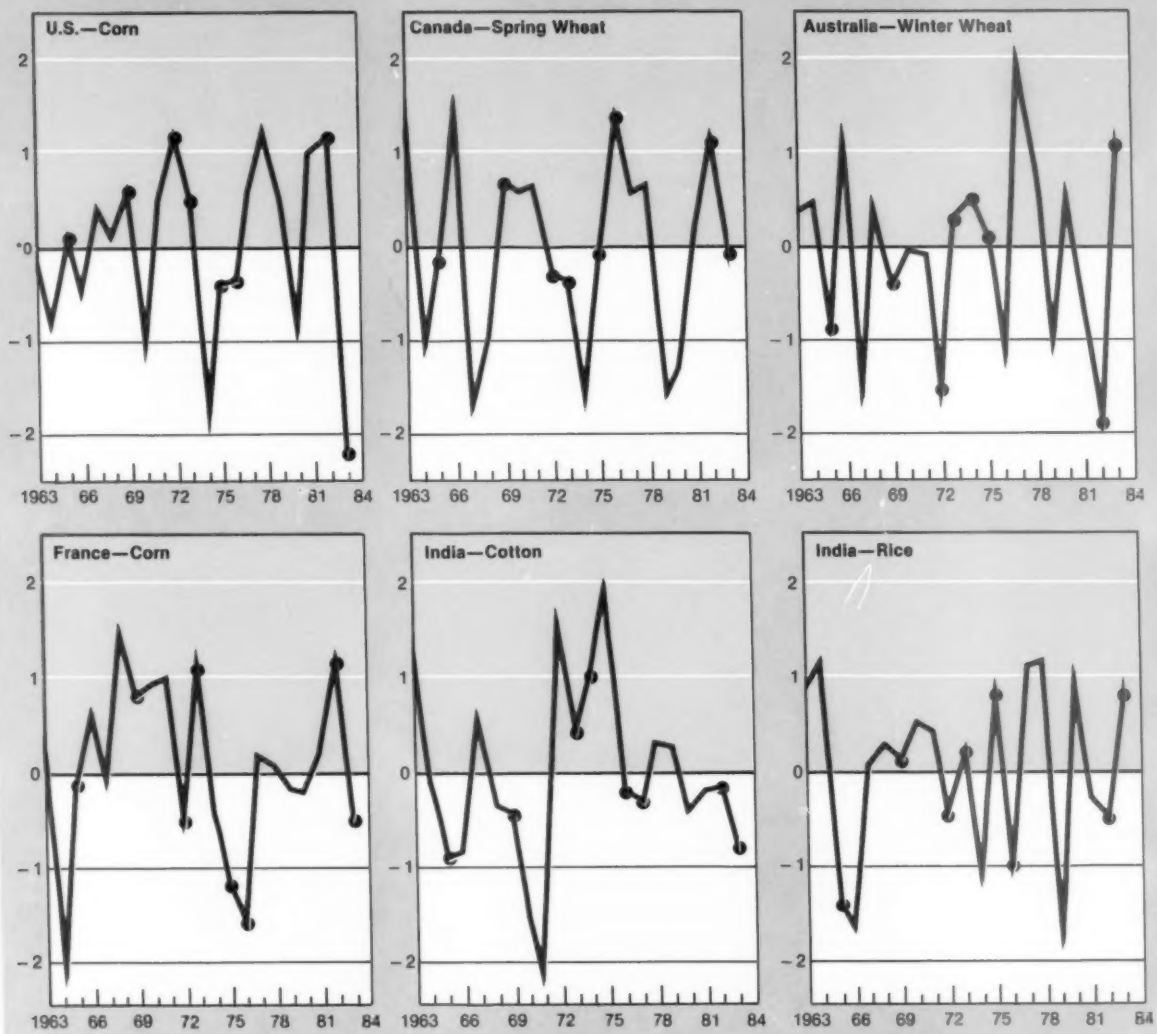
In Australia, as a result of the southern oscillation associated with El Nino, abnormal high pressure and resulting dry conditions often prevail, limiting moisture for wheat. Below-trend wheat yields have resulted.

In Argentina, however, El Nino typically brings unseasonal rains during the peak growing season for corn. These rains are of great benefit in meeting the crop's moisture demands during critical growth stages. Such cases have boosted crop yields to above-trend levels.

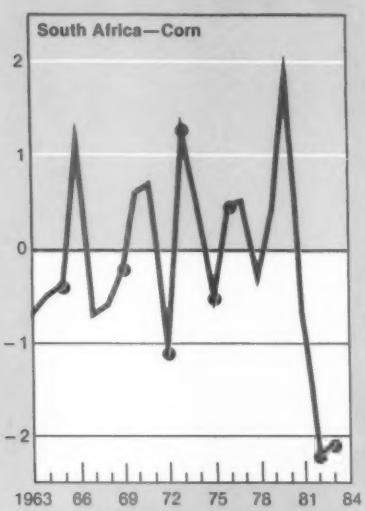


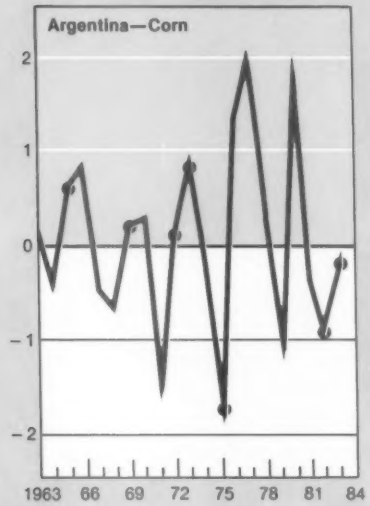
El Nino Events Affect Commodity Yields Around the World

● El Nino Years



*The zero lines represent a standardized yield projection without regard for weather variability.





Effects Less Apparent Elsewhere

While the cause-and-effect relationship between crop yields and El Nino events is not as apparent in other crop areas, there are some tendencies to be noted.

South Africa and Australia suffered from the worst drought in recent history during the 1982 El Nino event. Crop yields in both countries dropped to the lowest point since 1972, the year of a previous, severe El Nino.

An effect on crop yields, either positive or negative, was also noted in Canada, France and Argentina in 1972 and 1982.

As for major mid-latitude crops—U.S. corn, Canadian spring wheat and French corn—a nearly equal number of above-trend and below-trend yielding years were observed during El Nino cases.

While an El Nino occurrence is often associated with deviations from trend yields, the direction of the fluctuation cannot be predicted because weather events may occur at different growth stages, sometimes hurting and sometimes helping a crop.

The El Nino phenomenon provides an alert for potential weather-related problems for agriculture. Predicting the weather, however, is always a difficult business, requiring constant monitoring of regional anomalies as well as major events like El Nino. ■

The authors are with USDA's World Agricultural Outlook Board. Tel. (202) 447-5716.

Keeping the Vigil for Farmers

Markets for U.S. goods can spring up or disappear almost overnight if Mother Nature deigns to unleash severe weather.

To help identify potential markets which may result from inclement weather or markets which may become more competitive because of unusually favorable weather, the U.S. Department of Agriculture takes part in a rapid worldwide monitoring and weather assessment system, the Joint Agricultural Weather Facility (JAWF).

The facility provides daily agricultural weather assessments to keep the nation's farmers, exporters and policymakers informed of weather-related developments and their effects on crops and livestock.

Assessments rely a great deal on the standard weather data provided over the World Meteorological Organization's Global Telecommunications System and global weather satellite coverage.

The joint weather facility is a cooperative effort between the Department of Commerce's National Oceanic and Atmospheric Administration and USDA's World Agricultural Outlook Board.

Facility Has Two Missions

JAWF publishes the Weekly Weather and Crop Bulletin, now in its 110th year of publication. To subscribe, contact JAWF, USDA, Room 5844, South Building, Washington, D.C. 20250. The annual rate is $25.

The weather facility also monitors global weather and provides an early warning alert of possible impacts on crop conditions and yield potentials.

Meteorological satellite imagery provides the starting point for the daily review of the global weather events. Meteorologists with the World Outlook Board and National Meteorological Center discuss the data, reviewing surface maps and forecast projections. Determinations are made, and updates or alerts are issued.

This information supplements various other assessments made by USDA using different evaluational techniques.

AIMS: New Services Boost Exports

By Michael Dwyer

The Agricultural Information and Marketing Services (AIMS) program, a pilot project of the Foreign Agricultural Service (FAS), has wrapped up its first 18 months of operation by meeting all of its original goals.

Because of the success of the pilot program, FAS is continuing AIMS to help U.S. agricultural exporters take advantage of opportunities for increased profitability through overseas sales.

AIMS has expanded the types of marketing services offered to U.S. agricultural exporters; linked overseas agricultural trade offices electronically with FAS offices in Washington, D.C.; and boosted the number, use and timeliness of trade leads.

Expanding Marketing Services

The AIMS office now functions as a liaison between U.S. companies and foreign buyers seeking U.S. food and agricultural products.

AIMS was built on existing FAS programs including:

— Trade lead services, such as Export Briefs, a weekly bulletin of trade inquiries;

— Contacts, a monthly newsletter that tells 35,000 foreign recipients about U.S. agricultural products; and

— Foreign importer lists.

In addition, AIMS launched three new services—the Buyer Alert program, International Marketing Profiles and the Executive Export Service.

Through the Buyer Alert program, U.S. exporters can advertise their products in weekly sales announcements to buyers overseas. Buyer Alert offers specific product information, including prices, and is geared particularly to value-added products.

Announcements are transmitted every Wednesday to London, Bern, Manama, Seoul, Singapore, Tokyo, Paris, Rome, Mexico, Brussels, Jeddah, Cairo, Ottawa and Hong Kong. A specialized computer program is being developed for the trade office in Hamburg to meet the needs of buyers there.

AIMS also publishes International Marketing Profiles (IMPs). These reports examine either market performance of specific agricultural products or agricultural trade in particular countries. They provide information on leading foreign markets, fastest growing markets, best selling products and principal competitors and situation reports prepared by agricultural attaches. The profiles also include streamlined and updated importer lists.

Through the AIMS Executive Export Service, exporters may receive a subscription to Foreign Agriculture magazine, one IMP and a one-year subscription to Export Briefs for $100.

Boosting Trade Lead Activity

In 1983, FAS logged 4,071 trade leads. By 1984, this number had increased by 35 percent to 5,490, and leads from such major markets as Japan, France, West Germany and Hong Kong continue to grow.

The AIMS staff launched an effort to increase awareness of the service in the agricultural trade community. Results of this effort have been promising. From 300 participants in April 1984, the AIMS program has increased to over 1,600.

Speeding Up Trade Leads

AIMS has worked closely with agricultural counselors, attaches and trade officers overseas to improve the accuracy and completeness of trade leads.

In addition, automation of the trade offices has accelerated the processing time of trade leads. In the past, leads took as long as two weeks to be transmitted to the users. Typically, leads took about 36 hours for transmission to Washington. Automation has cut turnaround time substantially. Through a number of computerized information networks, some leads are disseminated to users within 18 hours of their generation.

Customers Give AIMS High Marks

In a survey last summer, 360 people reported $146 million in actual and negotiated sales and 3,822 new overseas contacts as a result of using AIMS' services.

Individual firms varied greatly in reported sales and new overseas contacts. While some firms showed no results, a number showed sales as high as $20 million.

One food company respondent said, "AIMS has given us access to medium and small companies which are significant additional markets. When our product information has appeared in Contacts or Buyer Alert, it has reinforced our position with our previous contacts."

Another company commented: "We have used *Export Briefs* extensively over the years. Someone who knows how to use the leads properly and can learn to pick those that have potential, can do quite well. We are content to deal with some of the smaller orders, and we are prepared to follow through with service. Government is the best asset we have, especially the federal level."

An international corporation representative wrote, "We use *Export Briefs* and *Contacts*. While the sales response has not been tremendous, we have made some good contacts, which we expect will add to our business. We feel the AIMS programs are worthwhile."

An outside evaluation of the AIMS project in September 1985 reported that AIMS has helped experienced firms diversify or supplement existing markets, and it has helped inexperienced, but committed, companies to gain a foothold in markets, particularly for differentiated products. AIMS, according to the evaluation, has made important progress in increasing export awareness in the high-value, value-added agricultural sector. ■

The author, the former manager of the AIMS project, is with the Trade and Economic Information Division, FAS. Tel. (202) 382-1294.

Fact File

Fiscal 1985 Wrapup

U.S. Agricultural Exports

U.S. agricultural exports in fiscal year 1985 totaled $31.2 billion, down approximately 18 percent from the previous fiscal year. The export volume of 125.8 million tons was off 12 percent from the year before and was at its lowest level since fiscal 1977.

The most pronounced decline occurred in exports to China, where sales were off more than two-thirds from the year before, almost entirely because of lower wneat shipments. Sales to developed countries as a group were hurt by the sluggishness of their economic growth and the strong value of the U.S. dollar. Many developing economies, while generally growing at a slightly more rapid pace, also continued to have debt repayment problems, which reduced their ability to import.

U.S. Agricultural Exports Decrease in Fiscal 1985

Region	1984	1985	Change
	$Bil.	*$Bil.*	*Percent*
Western Europe	9.264	7.184	-22
EC	6.717	5.336	-21
Other	2.547	1.849	-27
Eastern Europe	.741	.531	-28
USSR	2.512	2.509	—
Asia	15.210	11.935	-22
Middle East	1.865	1.452	-22
South Asia	.867	.600	-31
Japan	6.935	5.663	-18
China	.692	.239	-65
Other East	3.631	3.138	-14
Southeast	1.218	.843	-31
Canada	1.936	1.727	-11
Africa	2.868	2.528	-12
North	1.542	1.208	-22
Sub-Saharan	1.327	1.319	-1
Latin America	5.279	4.567	-13
Mexico	1.967	1.566	-20
Central & Caribbean	1.223	1.129	-8
South America	2.091	1.872	-10
Oceania	.216	.204	-6
Total	38.033	31.186	-18
Developed Countries	19.182	15.226	-21
Less Developed Countries	14.906	12.680	-15
Centrally Planned	3.945	3.380	-14

Exports Turn Down in All Major Markets

Export values turned down in all of the biggest markets for U.S. agricultural products in fiscal 1985. Sales remained the strongest in the Soviet Union, where the value of Soviet purchases was at a near-record $2.4 billion. However, there were steep declines in U.S. sales to such key Asian trading partners as Japan and Korea as competition from other suppliers became more intense. There have been no newcomers to the Top 10 list of U.S. markets for the past two fiscal years.

Exports Turn Down in All Major Markets

Market	1984	1985	Change
	$ Bil.	*$ Bil.*	*Percent*
Japan	6.910	5.654	-18
USSR	2.478	2.448	-1
Netherlands	2.188	1.908	-13
Canada	1.909	1.703	-11
Mexico	1.965	1.566	-20
South Korea	1.816	1.400	-23
Taiwan	1.409	1.342	-5
West Germany	1.260	.900	-29
Spain[1]	1.191	.768	-36
Egypt	.845	.763	-10

[1]Includes Canary Islands.

The Top 10 Exports

Corn continued to be the No. 1 export commodity for U.S. agriculture, although the sales value was down nearly a fifth from fiscal 1984. Wheat and soybeans were in second and third place, respectively, despite declines of nearly a third from a year earlier. Tobacco was the brightest spot in the fiscal 1985 export picture, with a value gain of roughly 11 percent. Dairy products, seeds, peanuts and a number of horticultural products also registered value gains.

On a volume basis, wheat and wheat flour registered the most pronounced declines in fiscal 1985, as large crops around the world reduced demand significantly. Corn export volume remained nearly the same as the year before.

Grains Lead Top 10 Export Products in Value

Commodity	1984	1985	Change
	$ Bil.	*$ Bil.*	*Percent*
Corn[1]	7.023	5.771	-18
Wheat & products	6.790	4.525	-33
Soybeans	5.734	3.872	-32
Livestock & products	3.460	3.308	-4
Horticultural products	2.606	2.607	—
Cotton & linters	2.405	1.967	-18
Tobacco	1.433	1.588	+11
Feed & fodders	1.165	.964	-17
Soybean cake and meal	1.181	.834	-29
Sugar & tropical products	.789	.769	-3

[1]Excludes products.

Corn and Wheat Lead Top 10 List in Volume

Commodity	1984	1985	Change
	Mil. MT	*Mil. MT*	*Percent*
Corn[1]	46.985	46.276	-2
Wheat	41.700	28.524	-32
Soybeans	19.265	16.620	-14
Feeds & fodders	6.845	6.395	-7
Soybean cake & meal	4.862	4.460	-8
Horticultural products	2.853	2.659	-7
Cotton & linters	1.509	1.317	-13
Animal fats	1.379	1.199	-13
Wheat flour	1.070	.782	-27
Sunflowerseed	.995	.999	—

[1]Excludes products.

Top 10 Markets' Purchases of Leading Commodities

($ million)

Country[1]	Corn	Soybeans	Livestock & prod.	Horticultural prod.	Wheat & flour[2]	Cotton & linters	Tobacco	Feeds & fodders	Soybean cake & meal	Sugar & tropical prod.
Japan	1,387	936	804	492	498	467	326	161	1	57
USSR	1,815	0	34	71	436	64	1	0	0	(3)
Netherlands	88	681	59	68	50	1	49	525	163	21
Canada	35	32	229	676	5	64	5	45	94	35
Mexico	186	279	374	43	1	(3)	(3)	13	23	24
S. Korea	182	166	310	17	276	404	4	1	0	10
Taiwan	410	341	156	38	96	148	62	14	0	10
W. Germany	13	157	72	166	2	74	219	72	41	26
Spain	231	249	43	21	(3)	38	129	(3)	10	6
Egypt	171	0	108	4	230	52	75	2	15	9
Total	4,518	2,841	2,189	1,596	1,594	1,312	870	833	347	198

[1]Not adjusted for transshipments. [2]Includes products.
[3]Denotes less than $500,000.

U.S. Agricultural Imports

U.S. agricultural imports hit a record high $19.8 billion in fiscal 1985, up 4 percent from fiscal 1984. Horticultural products accounted for over four-fifths of the increase in total U.S. agricultural imports last year. Fruits, nuts and vegetables replaced coffee as the leading import item in terms of value. Fruit juice imports alone were up nearly $325 million.

Horticultural Products, Coffee Head Import List

($ billion)

Commodity	1984	1985
Competitive		
Fruits, nuts & veg.	2.953	3.481
Meat & meat prod.	1.931	2.214
Wines & malt beverages	1.508	1.573
Sugar & related prod.	1.464	1.280
Dairy & poultry prod.	.879	.865
Oilseeds & prod.	.799	.784
Live animals	.596	.569
Tobacco, unmanufactured	.563	.556
Other animal prod.	.513	.513
Other competitive prod.	1.034	1.156
Total competitive	12.240	12.982

Commodity	1984	1985
Noncompetitive		
Coffee, green & processed	3.300	3.244
Cocoa beans & prod.	1.058	1.285
Rubber & allied gums	.854	.680
Bananas, plantains	.666	.752
Tea	.189	.184
Spices	.206	.258
Other noncompetitive prod.	.403	.393
Total noncompetitive	**6.676**	**6.796**
Total imports	**18.916**	**19.778**

The import volume for fiscal 1985 was 19.7 million tons, up 9 percent from fiscal 1984. Bananas remained the biggest import item, accounting for about 15 percent of U.S. agricultural purchases. Sugar, coffee and meat and meat products were the next in importance.

Bananas and Sugar Are Top Import Items in Volume

(Thous. MT)

Commodity	1984	1985
Competitive		
Sugar, cane & beet	2,829	2,338
Meat & meat products	906	1,124
Vegetable oils & waxes	797	859
Wine	520	512
Tomatoes, fresh	381	374
Tobacco, unmanufactured	190	191
Cheese	139	135

Commodity	1984	1985
Noncompetitive		
Bananas & plantains	2,727	3,022
Coffee, including prod.	1,128	1,128
Rubber & allied gums	809	799
Cocoa beans & prod.	451	539
Spices	90	98
Tea	88	81

U.S. Agricultural Trade Balance

The U.S. agricultural trade balance amounted to $11.42 billion in fiscal 1985, down two-fifths from the preceding year. The 18-percent decrease in exports, coupled with a 4-percent increase in imports, slashed the agricultural trade surplus to its lowest level since fiscal 1977.

Agricultural Trade Surplus Dips

($ billion)

	1984	1985
Exports	38.03	31.18
Imports	18.91	19.77
Trade surplus	**19.12**	**11.41**

Bulgaria Is Buying More U.S. Corn

By Nancy Cochrane

U.S. farm sales to Bulgaria in fiscal year 1986 are expected to at least double to $50 million, up from $25 million last year and the highest since 1982.

These sales will be led by U.S. corn exports. The United States may be able to sell some wheat as well, depending on price and the value of the dollar.

Bulgaria's corn import needs are projected at 500,000 metric tons for fiscal 1986. The United States will be by far the major supplier of that corn. Over 250,000 tons of U.S. corn have already been shipped or contracted for this year.

Large Grain Imports Anticipated

The increase in U.S. sales will be a marked change from the past few years. U.S. agricultural exports to Bulgaria peaked at $187 million in fiscal 1981. They then fell sharply, reaching a low of $23 million in fiscal 1984. Bulgaria's main purchases from the United States were corn, soybean meal and tobacco.

However, after 1982 Bulgaria's corn imports dropped to almost zero. This decline was accompanied by an increase in soybean meal imports, suggesting a change in feed rations to a higher protein content. But Bulgaria turned to Brazil and Argentina for much of its soybean meal needs.

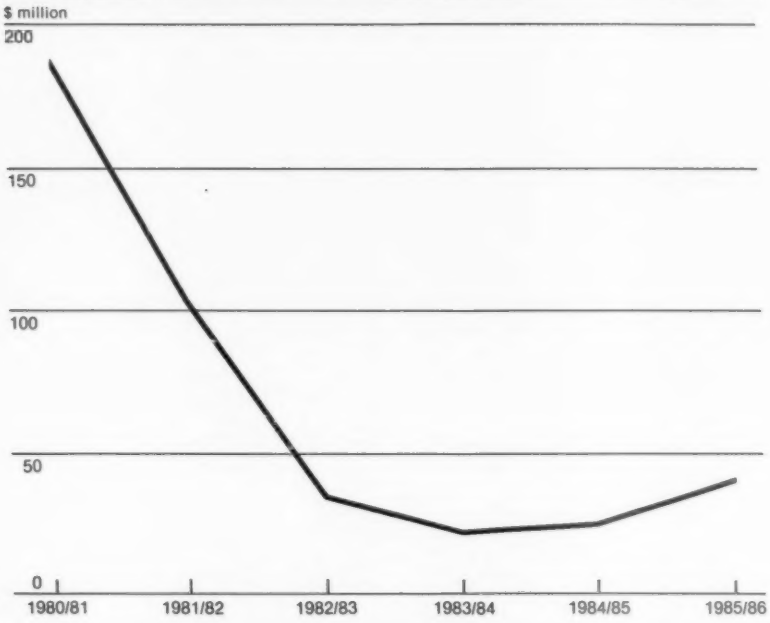
The situation for U.S. sales began to turn around somewhat last year when, after a third year of drought, Bulgaria had drawn down its grain stocks and re-entered the market for corn and barley.

During fiscal 1985, U.S. corn exports to Bulgaria came to 69,000 tons, and barley exports amounted to 60,000 tons. In addition, Bulgaria imported 1 million tons of barley from Western Europe, and large amounts of corn from various suppliers.

Drought Causes Severe Crop Damage

Bulgaria's 1985 drought followed a particularly severe winter and, while all sectors of the economy suffered, the agricultural sector was particularly hard hit.

U.S. Agricultural Exports to Bulgaria Climbing Again



Winter wheat suffered severe winterkill, and thousands of hectares were plowed up and replanted to corn. In previous years the corn crop did well despite the drought because of extensive irrigation. Last year, however, water levels were too low to sustain the irrigation systems.

As a result, 1985 grain production was estimated at just over 7 million tons, down 23 percent from 1984. The corn crop was estimated to be under 3 million tons, with yields at their lowest since 1978.

Other crops suffered as well. Sunflowerseed and soybean production were down for the third straight year. Tobacco and vegetable production were off so much that Bulgaria had difficulty meeting export obligations to its trading partners.

Maintaining Trade Balance

Bulgaria has traditionally been a net agricultural exporter and has been a net grain exporter since 1981. Agricultural products such as tobacco, fruits, vegetables, meat and wheat are an important source of hard currency earnings. Bulgaria is a major supplier of these commodities to the USSR and other Council for Mutual Economic Assistance (CEMA) countries.

In most years, Bulgaria's total merchandise trade has been nearly in balance. Roughly 75 percent of that trade is with CEMA countries. The country's hard currency debt peaked at about $3 billion in 1980 and is currently estimated at $1.4 billion.

Bulgaria ordinarily avoids foreign debt, severely restricting imports in some years to keep its trade in balance. This year, however, the Bulgarians have resumed borrowing from Western banks to finance their huge grain imports. ■

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Japanese Pork Market Requires Special Attention

By Merritt Chesley

Japan is the world's sixth largest pork importer with purchases of 150,000-200,000 metric tons of fresh and frozen pork annually. It is also the largest customer for U.S. pork, although the U.S. market share has been slipping in recent years as Denmark has recovered from an outbreak of foot-and-mouth disease and Taiwan has moved aggressively into the marketplace.

Processing Demand Is Growing

Japanese consumption of fresh pork, now around 5.6 kilograms per capita annually, has declined since peaking in 1980. However, the demand for pork for processing is still climbing. Processing now accounts for 27 percent of all pork use (up from 19 percent 10 years ago) and is expected to continue to increase.

Imports generally make up 12-16 percent of total Japanese pork consumption. Loins are the No. 1 import; about 50,000-60,000 tons of imported loins are needed each year to satisfy demand. Insufficient domestic supply in Japan also accounts for imports of about 10,000 tons annually of both tenderloins and collars (boneless butt or Boston butt).

Other pork cuts are imported mostly because of the peculiarities of the Japanese tariff system.

Unique Tariff System

Pork imports come in under a tariff system that ensures that every shipment enters at a minimum price, which is in the middle of the domestic stabilization range for hogs. The tariff is applied to the average c.i.f. price of all cuts in a container.

To minimize the duty, importers combine high-value cuts with low-value ones in a container. As a consequence, loins and tenderloins, the most desirable cuts in Japan, are mixed in the container with cheaper cuts (bellies, shoulders, hams, etc.).

Bellies are the most desirable of the lower priced cuts because they can be sold at a high markup in Japan. This means Japanese buyers have greater flexibility in setting retail prices for the other cuts in the container.

Processing Sector Biggest User

About 85 percent of imported pork is used for processing. As the processing industry has become more sophisticated, it no longer simply buys meat left over from the fresh meat market but has become more discerning in the different cuts used.

Danish meat cuts are often preferred for processing because they are relatively uniform. Danish pigs are generally of the same breed. Pigs in the United States, Canada, Japan and Taiwan are of various breeds and crossbreeds, and consequently yield less uniform meat cuts.

U.S. cutting techniques put U.S. pork bellies at somewhat of a disadvantage in the Japanese market.

The large spare rib market in the United States dictates that ribs are extracted from bellies with a considerable amount of meat on the bone. As a consequence, U.S. bellies are not particularly satisfactory for processing in Japan. In contrast, Danish bellies are string-boned (where only the bone is removed), leaving all the meat in the belly.

Upper shoulder cuts are another lower priced cut commonly imported by Japan. Danish collars are smaller than U.S. boneless butts and are preferred for processing.

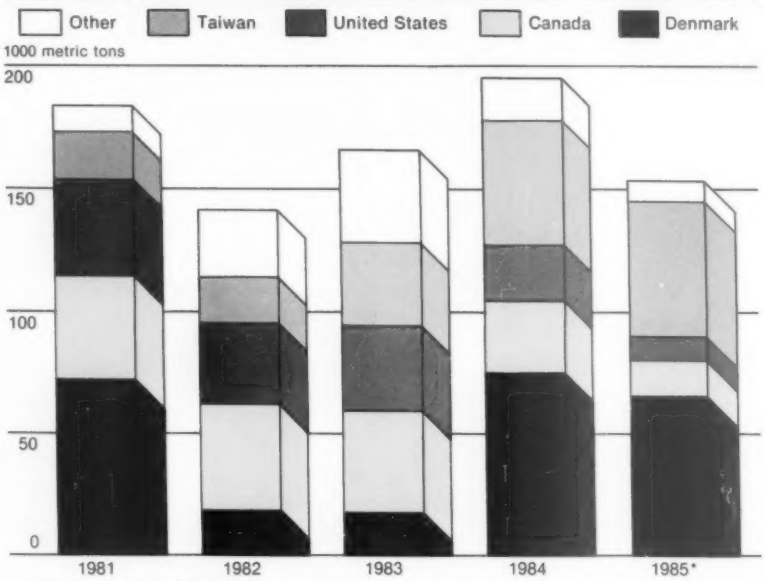
Therefore, the combining of differently priced cuts in a container makes the low-priced cuts from the United States less attractive than those from other suppliers, also making it difficult to ship the more expensive loins.

Due to high labor costs and the relative insignificance of the export sector in U.S. pork production (the United States exports less than 2 percent of its annual pork production), U.S. packers are generally reluctant to set up cutting lines specifically for the Japanese market.

The Danes, for whom exports constitute 80 percent of pork production, go to great lengths to meet Japanese specifications. In addition, for the spot market, the Danes offer meat cut to their own, highly uniform specifications, which are usable in Japanese processing.

Similarly, Taiwan's pork cuts are very close to Japanese cuts. Low labor costs in Taiwan also make it affordable to ship further processed products (meat with a higher degree of trimming, etc.).

U.S. Share of Japanese Pork Market Is Declining



Data are on product weight basis.
*Estimate.

Yen-Based Contracts Preferred

Another major consideration for Japanese pork buyers is the currency base of contracts. U.S. suppliers offer only dollar-based contracts, which force Japanese importers to assume the risk of currency fluctuations. Other major exporters (Denmark, Taiwan and Canada) offer contracts based on the yen, thus assuming the risk.

U.S. Exporters Need To Adjust

The import price is important because it determines the amount of loins that can be included in each shipment. However, such factors as cutting to Japanese standards and yen-based contracts have a powerful influence on Japanese pork buyers.

For example, Danish tenderloins may be more expensive than U.S. tenderloins, but are imported in substantial quantity because they can be combined profitably with bellies.

In fact, it has been estimated that U.S. loin prices would have to be about 10 percent lower than Danish prices to compensate for the advantages in buying Danish pork.

If U.S. exporters are to become more competitive in the Japanese pork market, they must be willing to supply cuts which meet Japanese specifications. U.S. loins and tenderloins are satisfactory, but the other cuts (bellies, shoulders, hams, etc.) with which they must be combined must also be desirable to Japanese importers.

In addition, offering contracts based on the yen would lessen the risk faced by importers and thus make U.S. pork more attractive. ■

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Country Briefs

Colombia

Yucca, a Staple Food, Now a Sizable Feed Item

Traditionally the staple foods of Colombia have been corn, plantain and yucca, but these are slowly being replaced in the human diet with rice and potatoes. However, yucca, particularly in the form of dry chips, is becoming increasingly important to the country as a feed ingredient.

In 1985, 5,000 metric tons of dry yucca chips were incorporated into feed concentrates and in 1986 that amount is expected to grow to about 30,000 tons. Most of the yucca used in feeds is produced in the northern coastal areas.

During the last three years, a government agency has been organizing farmers into cooperatives of 15 to 20 members who chop, dry and market their own yucca production through the feed industry. These cooperative plants are located along the Atlantic Coast, where there are already 20 functioning. The government's goal is to have 40 plants by mid-1986. The same program is planning to start the drying of plantains before the end of the year.—*Lloyd I. Holmes, Agricultural Counselor, Bogota.*

Egypt

Increase in Washing Machines Could Cut Tallow Imports

The growing use of washing machines in Egypt is expected to eventually result in a decline in the use of tallow-based laundry soap, which cannot be used effectively in these machines. Egypt typically imports about 200,000 tons of tallow a year from the United States, making it the largest market for U.S. tallow in the world.

Egypt's first private sector detergent plant is expected to be established in The 10th of Ramadan City and when full production is reached in 1987, this factory is expected to have an annual output of 30,000 tons of dry detergents and 5,000 tons of liquid detergents. In the short run, the production of the private factory, together with a planned doubling in production by public sector plants, is not expected to affect tallow imports adversely. Rather, they will displace detergent imports. In the longer run, however, tallow imports are likely to decline.—*Gerald Harvey, Agricultural Counselor, Cairo.*

Hong Kong

Planned Controls on Livestock Could Boost Meat Imports

New anti-pollution rules proposed by the Hong Kong government are likely to affect the Colony's pig and poultry industries—possibly to the benefit of U.S. meat exporters.

The proposed waste control plan—which includes a ban on keeping livestock in urban areas as well as some parts of the more rural New Territories—will affect some 100,000 pigs, more than a fifth of the total pig population in the territory. The plan, if adopted, will drive many pig and poultry farmers out of business as increased operational costs raise the costs of production so much that domestic animals and birds will not be able to compete with imports, particularly live pigs and chickens from China. Frozen pork and poultry products from the United States and other sources may be able to benefit, too, as the reduced supply of fresh meat and poultry means possible expansion for frozen products.

The impact of the anti-pollution rules will not be immediate, as the plan is to be implemented over nine years, starting in mid-1987. However, it is apparent that local pig and poultry production will be on the decline and that there will be a trend toward greater dependence on food imports.—*Michael L. Humphrey, Agricultural Officer, Hong Kong.*

Indonesia

Self-Sufficiency in Soybean Production Planned

The Indonesian government is striving to achieve self-sufficiency in soybean production by the end of 1986. The government is trying to motivate farmers into planting an additional 400,000 hectares of soybeans in 1986 by providing an "input package" of credit, seed, fertilizer and extension services. Of the area total, about 170,000-177,000 hectares, mostly on Java, have been planted to rice in the past. Their conversion to soybean fields will have the dual effect of boosting soybean production and also propping up decreasing rice prices caused by surplus paddy production.

An area increase of the magnitude planned would boost Indonesia's soybean production by 45 percent to approximately 1.3 million tons. However, the government faces a major problem in supplying sufficient seed for the proposed new 400,000 hectares of soybean fields.

Whether or not soybean self-sufficiency is actually attained by yearend, production gains can be expected and imports could be reduced. Over the past three years, Indonesia's annual imports of soybeans totaled approximately 400,000 tons.—*Robert M. McConnell, Agricultural Counselor, Jakarta.*

Japan

Model House To Demonstrate U.S. Wood Properties

The U.S. wood industry and government plan to build a model multi-use residential/office structure in Tokyo, using U.S.-produced materials, to promote increased wood utilization in Japan and increased U.S. lumber and plywood exports. The structure, which will use advanced building systems and materials for wooden structures, is scheduled to be completed prior to the Advanced Nations Summit Conference to be held in Tokyo in May.

The U.S. goal is to demonstrate the economies and energy efficiency of wood structures in order to encourage the expansion of wood utilization and exports to Japan.

The U.S. hardwood industry is planning to set up an office in Japan to sell walnut and other hardwood products into the Southeast Asian market.—*Bryant Wadsworth, Agricultural Counselor, Tokyo.*

Growing Popularity of Popcorn an Opportunity For U.S.

Since 1981 U.S. exports of popcorn to Japan have risen by roughly 70 percent in line with growing demand for this product. There is no production of popcorn in Japan and all of the country's popcorn must be imported. The United States reportedly supplies most of Japan's popcorn.

Japan has a tariff-quota on popcorn which is part of a broader program to restrict corn imports in order to protect Japanese producers of potatoes (cornstarch competes with potato starch), sugarcane and sugar beets (corn sweeteners compete with sugar). Specially licensed firms, which have popping facilities, can import popcorn up to the quota level without paying a duty. A tariff of about 3 cents a pound is applied to popcorn imported outside of the duty-free quota, either by firms that are not licensed to handly duty-free imports or by licensed firms that exceed their allocation under the quota.

All duty-free popcorn must be popped before it leaves the factory. There are no restrictions on other popcorn. This system helps keep many smaller firms competitive by giving them access to duty-free popcorn and assures that raw corn imported duty-free as popcorn will not be used for other purposes.

In recent years, the Japanese demand for popcorn has increased and the duty-free quota has been increased accordingly.

A few firms licensed to handle duty-free popcorn import directly, but most use trading companies to handle their imports. Popcorn imported outside of the duty-free quota can be sold to anybody, including street vendors, bars with popcorn machines, ball parks and theaters. There is relatively little distribution of raw popcorn for popping at home. Since almost all popcorn is marketed after being popped, Japanese buyers are very quality conscious.—*Bryant Wadsworth, Agricultural Counselor, Tokyo.*

Saudi Arabia

Vegetable Market Offers Some Potential for U.S.

The U.S. share of the Saudi fresh vegetable market is tiny, but there is opportunity for exports of tomatoes and potatoes. Saudi imports of fresh vegetables from all sources in 1984 showed tomatoes as the leading purchase, followed in descending order by onions and leeks, potatoes, cucurbits, cauliflower, mushrooms and truffles, garlic and

shallots, lettuce, capsicum, okra, eggplant, beans and french beans, sweet peas and miscellaneous other items.

There's also a fair market for frozen vegetables in the country in which the United States does fairly well.—*Jerome M. Kuhl, Agricultural Trade Officer, Jeddah.*

Singapore

Younger Generation Acquiring Taste for Wines

Wine sales in Singapore are moving outside the hotel market, which caters mostly to tourists, and are beginning to show up in small Chinese restaurants and open-air seafood restaurants. Many of the more affluent younger generation, some of whom have lived abroad, have grown to appreciate wines. Also, the health-conscious Singaporean may be turning to wine in preference to drinks with higher alcohol content.

While locals are accepting wines into their lifestyles, they are choosing the less expensive brands at present. In general, the Chinese have a preference for light white wines, although lighter reds and even burgundies are also popular with Chinese food.—*James Y. Iso, Agricultural Trade Officer, Singapore.*

Taiwan

Dairy Cattle Imports From U.S. Gain Ground

Significant increases in imports of U.S. dairy cattle are expected to play a major role in the planned expansion of Taiwan's dairy industry. Taiwan last year became a major market for U.S. dairy cows, with imports in the first seven months of 1985 numbering about 1,700 head—four times more than total U.S. dairy cattle exports to Taiwan in all of 1984.

All dairy cattle are Holstein Fresian. In the past 30 years, this breed was imported from Australia, Japan, the United States and New Zealand. In the future, the United States can expect to maintain a dominant share in the market, despite higher prices, as local farmers reportedly have begun to appreciate the better quality of U.S. cattle.—*John T. Hopkins, Agricultural Officer, Taipei.*

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